

IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA	)	
	)	
v.	)	CRIMINAL NO.
	)	
JEFFREY R. ANDERSON	)	Count 1 - 18 U.S.C. § 371
	)	(Conspiracy to commit wire
	)	fraud)
Defendant	)	

Criminal Information

COUNT 1

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this information or as specified  
below:

I. BACKGROUND

1. From January 2000 until November 2001, ANDERSON was employed at PurchasePro.com, an internet software company headquartered in Las Vegas, Nevada ("PurchasePro"). During this time, ANDERSON held the position of Senior Vice President of Sales and Strategic Development at PurchasePro.

2. In 2000 and 2001, PurchasePro was engaged in the sale of sourcing software, materials management and procurement

software and services, including so-called "marketplace licenses." PurchasePro's common stock traded on the Nasdaq National Market under the symbol "PPRO." PurchasePro had shareholders located throughout the United States, including in the Eastern District of Virginia.

3. As a public company, PurchasePro was required to comply with the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Those rules and regulations are intended to protect members of the investing public by, among other things, requiring that a company's financial statements are accurately recorded and reported to the investing public. PurchasePro made periodic filings with the SEC which included, among other things, its financial statements.

## II. THE CONSPIRACY

4. From in or about November 2000 to in or about June 2001, in the Eastern District of Virginia and elsewhere, ANDERSON, other senior members of PurchasePro's management, and an employee of a major media company headquartered in the United States ("Media Company"), knowingly and unlawfully combined, conspired, confederated, and agreed with each other to commit the following offense against the United States:

(A) wire fraud, that is, having devised and intended to devise a scheme and artifice to defraud PurchasePro of its right to honest services, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, from PurchasePro and shareholders of PurchasePro, to transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such scheme and artifice, an offense against the United States pursuant to 18 U.S.C. § 1343.

### III. MANNER AND MEANS OF THE CONSPIRACY

5. It was part of the conspiracy that ANDERSON and certain of his co-conspirators induced purchasers to buy the PurchasePro marketplace licenses by making oral and written commitments that the co-conspirators would, among other things, do one or more of the following: (i) buy an equivalent or greater amount of products from the license purchasers; (ii) provide on-line advertising to the license purchasers; (iii) invest in the license purchasers; and (iv) otherwise make the license purchasers whole in the future for the cost of the marketplace

license purchases. Collectively, these commitments are referred to as "side agreements" herein.

6. It was further part of the conspiracy that ANDERSON and certain of his co-conspirators lied to and otherwise deceived PurchasePro's outside auditors about the existence of the side agreements. ANDERSON and certain of his co-conspirators agreed to lie to and otherwise deceive PurchasePro's outside auditors because ANDERSON and certain of his co-conspirators believed that disclosure of the side agreements would cause PurchasePro's outside auditors to disapprove of the revenue recognition for the full amount of the marketplace license sales and other products. ANDERSON and certain of his co-conspirators discussed disclosure of the side agreements to PurchasePro's outside auditors and they agreed not to disclose the agreements to the auditors.

7. It was further part of the conspiracy that ANDERSON and certain of his co-conspirators would falsely inflate the revenue reported by PurchasePro to the investing public and in its filings with the SEC for PurchasePro's fourth quarter of 2000 and PurchasePro's first quarter of 2001 by a material amount as follows:

(A) On or about February 12, 2001, PurchasePro announced in a press release to the public that PurchasePro reported revenue of approximately \$33.6 million for the fourth quarter ended December 31, 2000. Anderson admits that he knew at the time of this press release that a substantial amount of this revenue was earned from marketplace license and other product sales improperly recognized as revenue because the sales had been achieved as a result of side agreements that he and his co-conspirators had kept secret from PurchasePro's auditors and the investing public.

(B) On or about April 26, 2001, PurchasePro issued a press release to the public that stated, among other things, that PurchasePro had earned revenue in the first quarter of 2001 in the amount of approximately \$29.8 million. Anderson admits that he and certain of his co-conspirators knew at the time that this April 26, 2001 PurchasePro press release was materially

false and misleading. Specifically, Anderson and certain of his co-conspirators knew that a substantial portion of the \$29.8 million in announced revenue was improperly recorded as revenue by PurchasePro because it had been achieved, in large part, from sales of marketplace licenses which resulted from secret side agreements made with the purchasers by Anderson and certain of his co-conspirators.

#### IV. OVERT ACTS

8. In furtherance of the conspiracy and in order to accomplish its objects, ANDERSON and his co-conspirators, committed or caused to be committed the following overt act, among others, within the Eastern District of Virginia and elsewhere:

(A) On or about March 28, 2001, ANDERSON caused PurchasePro and the Media Company to issue a press release, which was transmitted simultaneously from PurchasePro's offices in Las Vegas, Nevada, and from the Media Company's offices in Dulles, Virginia, announcing to the public the alleged success of PurchasePro's and the Media Company's joint sales and marketing effort in the first quarter of 2001. According to the press release, this joint sales and marketing effort resulted in

the sale of ten (10) PurchasePro marketplace licenses to other well-known computer and internet companies. The press release was materially false and misleading in that the sale of many of the ten (10) PurchasePro marketplace licenses had been achieved only because PurchasePro and the Media Company simultaneously had made side agreements to the purchasers of the marketplace licenses to provide economic benefits to those purchasers that exceeded the cost of the marketplace licenses and thereby induced the purchasers of the marketplace licenses to buy the marketplace licenses.

(All in violation of Title 18, United States Code, Section 371.)

Respectfully submitted:

PAUL J. McNULTY

United States Attorney

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